Microfinance and the Socio-economic Wellbeing of Women Entrepreneurs in Ghana

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ABSTRACT

Microfinance has been touted as a means of improving the lives of the poor and the provision of funds for business enterprises. This study examines the impact of microfinance on the socio-economic lives of women entrepreneurs in Ghana. Using Ghana as the study area, this paper provides valuable insights into micro financing in a developing economy context.

A multi-method approach was used in data collection and analysis. Eight hundred and forty (840) women beneficiaries of microfinance loans were surveyed; and interviews conducted with 35 of them. The overall results suggest that the women's enterprises have expanded while their socio-economic status has improved tremendously after taking the loans. It is, however, recommended that microfinance institutions provide education in finance management for their clients, since only few of them undertakes such an exercise.

1. Introduction

Microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients. Microcredit is thus one of the critical dimensions of the broad range of financial tools for the poor, and its increasing role in development cannot be underestimated.

As an estimated 22 parent of the population of the developing world(including Ghana)live below $1.25 a day(World Bank,2012), most people barely have enough to spend and save towards the creation and sustainability of a business venture. Women are often the primary source of support for most households yet women's economic empowerment faces three major challenges: women are less likely to have a paid job; women's jobs are more likely to be concentrated in the informal economy and in low value added sectors; and in low paid jobs characterized by poor working conditions(OECD,2009).

Traditionally, financial institutions have been cautious with lending to women entrepreneurs in the Small and Medium Enterprises (SMEs) due to the high default rates and risks associated with such ventures(Mensah,2004)..

As observed by Mensah(2004),the financial institutions are reluctant to offer the needed support because such enterprises are, dominated by one person, with the owner/manager taking all major decisions. The entrepreneurs usually possess limited formal education, and also lack access to or rarely use new technologies to gain valuable market information to make them more competitive.

Secondly, the management skills of the entrepreneurs are also considered to be weak, thus inhibiting the development of a strategic plan for sustainable growth. Furthermore, the target group experiences extreme working capital volatility. Lastly, the lack of technical know-how and inability to acquire skills and modern technology impede growth opportunities.

These factors inhibit the poor from accessing credit from the formal and commercial banks. Microfinance however, has the means to make financial services available to relatively poor households and microenterprises in small transactions suited to their conditions. Micro-finance companies therefore are the best hope of lifting the poor in society out of poverty and aiding micro-enterprises to grow. Microfinance companies have sprung up all over the country with products all aimed at making finance available to

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individuals and small scale businesses. However there is a need to find out whether women entrepreneurs who take loans from Microfinance Institutions (MFIs) actually derive the optimum benefit for which the credit facilities are acquired. . It is also important to find out if the MFIs are really efficient at eradicating poverty as championed. This is because the success of MFIs is measured by the impact they have on their clients' businesses and their families, and on the communities in which their clients live.

This study therefore sought, using clients' views and responses, to measure the impact MFIs loans have made on the businesses and social lives of clients/loan recipients. Specifically, this study explored the background of the women entrepreneurs; what motivates the women to go in for the loans; how these clients access and repays their loans, the challenges the women beneficiaries encounter, and ultimately, the impact these loans have on the socio-economic wellbeing of these women.

The findings of the study will help to provide recommendations as to how clients can better benefit from the loans they take and subsequently what can be done to make MFIs more clients centred. This study will give an insight into the background of female MFIs clients and the manner in which they access and apply their loans. It is also meant to give an insight into how these loans impact the lives of MFIs clients and thereby adds to the knowledge base on MFIs especially as pertains in Ghana. MFIs are expected to benefit from this study as the outcome is expected to help them give their clients more efficient and effective services; and again aid them to tailor their services to meet the special needs of female clients.

2. Literature Review

Existing literature on micro financing and its impact on the operations of SMEs in terms of poverty reduction and expansion of business enterprises are reviewed under this section. This review will help in placing the study clearly within a larger context and providing a framework for establishing a benchmark for comparing results with other findings (Creedy, 2008; Creswell, 2009).

2.1 Microfinance-Overview

In developing countries where unemployment rates are high and economic stability fluctuates, the informal sector is large and covers a majority of the population who cannot be employed by government or the relatively few big companies. The primary obstacle within the informal sector is access to money, more specifically, "the dual dilemma of insufficient working capital and no source from which to borrow it" (Hussmanns and Mehran, 1998). This lack of credit prevents people from reaching their full potential and pulling themselves out of poverty (Anirudh et.al., 1997).

Formal banks typically do not provide services to the under privileged for the acquisition of short term and medium term loans because the cost of administering the loan to such clients is high while the banks get low benefits. The MFI Report (2012)also adds that illiteracy, lack of collateral, lack of credit history, and the physical remoteness of clients makes dealing with the poor a complicated and unattractive service to formal banks.

It has been observed that nearly two-and-a-half billion adults worldwide do not have access to savings and credit through formal financial institutions (Chaia et al., 2009).This is because most poor people have few assets that can be secured by a bank as collateral. Even those who have lands to use as collateral may not have an effective title to it (Hernando de Soto, 1989).This means that the bank will have little recourse against defaulting borrowers. This makes the poor an "unappealing" source of clientele for formal banks.

Generally, the commercial banks themselves appear not to have proven lending methodologies for financing the poor, and underestimate businesses' demand for credit because they have not developed techniques for overcoming high transaction costs and risks (Aryeetey et al., 1994; Opare, 2001).

MFIs on the other hand commonly tend to use new methods to deliver very small loans to unsalaried borrowers, and at times taking little or no collateral from the clients. Richard (2007) considers microfinance as a range of innovative financial arrangements designed to attract the poor either as borrowers or savers. For Ghartey (2007), microfinance relates to the provision of financial services (i.e. savings, credit, insurance and remittances) to a larger number of the productive but resource poor, in a cost-effective and sustainable manner with the view to creating wealth and reducing poverty.

Similarly, Steel and Andah (2004) opined that microfinance involves small financial transactions with low-income households and micro enterprises (both urban and rural), using non-standard methodologies such as character-based lending, group guarantees, and short-term repeat loans.

2.2 How Clients Use Their Loans

Although MFIs stress the need for borrowers to use their monies for business purposes, clients often have a wide range of needs some of which far exceed the capital they need to invest in their businesses.
Rutherford (2000) cites several types of needs for which clients access loans:

- *Lifecycle Needs*: such as weddings, funerals, childbirth, education, home-building, widowhood, old age.
- *Personal Emergencies*: such as sickness, injury, unemployment, theft, harassment or death.
- *Disasters*: such as fires, floods, cyclones and man-made events like war or bulldozing of dwellings.
- *Investment Opportunities*: expanding a business, buying land or equipment, improving housing, securing a job, etc.

Regardless of how loans are used, MFIs can provide both short term and long-term credit facility only when clients have both the willingness and ability to meet the scheduled loan repayments.

2.3 Microfinance and Women

Armendariz (2005) notes that women make up 75% of all micro-finance recipients. Exclusive lending to women began in the 1980s when Grameen Bank found that women have higher repayment rates, and tend to accept smaller loans than men. Subsequently, many microcredit institutions have used the goal of empowering women to justify their disproportionate loans to women (Bateman, 2010).

Again microfinance has been directed at women because it is believed that, compared to men, they are better clients of microfinance institutions and that women's access to microcredit has more desirable development outcomes, since women tend to spend more money on basic needs compared to men(Pitt and Khandker,1988; Leach and Shashikhala, 2002). Women are a major beneficiary of MFI activities, and the destination of the funds primarily includes agriculture, distribution, trading, small craft and processing industries.

Children of women microfinance borrowers also reap the benefits, as there is an increased likelihood of full-time school enrolment and lower drop-out rates. Studies show that new incomes generated from microenterprises are often first invested in children's education, particularly benefiting girls. Households of microfinance clients appear to have better health practices and nutrition than other households"(Littlefieldet.al.,2003).

Several current initiatives aim to provide micro-finance schemes to rural farmers, particularly rural women (CEDAW, 2005).These initiatives incorporate gender issues to set goals and objectives which are later used to identify the beneficiaries-more often than not women- who genuinely require financial assistance in a target community.

In Ghana, clients of microfinance institutions are mainly women in both rural and urban centres. The women are mainly engaged in economic activities such as farming, petty trading, food processing and vending; and service provision. Statistics from GHAMFIN as at 2005 put the number of male depositors at 1,578 and female depositors at 15,040; and the number of male borrowers at 5,995 and female borrowers at 70,466, clearly indicating a massive patronage of MFIs by women in Ghana as compared to their male counterparts (MoFEP, 2008b).

2.4 Benefit to clients

Littlefield et.al. (2003) are of the opinion that microfinance schemes are able to reduce poverty and improve the health and education needs of people. It also empowers women. They also note that children of women microfinance borrowers also reap the benefits, as there is an increased likelihood of full-time school enrolment and lower drop-out rates. Households of microfinance clients appear to have better health practices and nutrition than other households.

Asiamah and Osei (2007) also maintain that microfinance has the capacity to help the poor meet their basic needs and thereby improve household income. Microfinance is the newest darling of the donor community(Buckley, 1997), the newest silver bullet for alleviating poverty (Karnani, 2007) and a proven way to improve the lives of the poor(Gupta and Aubuchon,2008).

The Nobel Prize Committee for 2006 identified microfinance as a liberating force and an important instrument in fighting poverty (Adams, 2010).Others view microfinance as a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses.

By reducing vulnerability and increasing earnings and savings, financial services allow poor households to make the transformation from "every-day survival" to "planning for the future. Households are thus able to send more children to school for longer periods and make greater investments in their children's education. What is more, increased earnings from financial services lead to better nutrition and better living conditions, which translates into a lower incidence of illness. The implication of this is that increased earnings also mean that clients may seek out and pay for health care services when needed, rather than go without or wait until their health seriously deteriorates (KIVA, 2013).

Bateman (2010)however holds a contrary view and argues that micro-credit only offers an "illusion of poverty reduction". Hartmann (2012) relates stories of the brutal manner in which individuals who find themselves trapped in debts to some microfinance institutions are forced to repay their debts. Even when clients have lost everything through disasters they are still expected to pay their loans. Sachs (2009) in his research found that microfinance may not be appropriate in every situation especially as one size fits all strategy in poverty alleviation and empowerment. Sachs (2009) explains that the poor governance infrastructure, dispersed population in the rural areas and gender inequalities hinder the potential benefits of microfinance in Africa.

Sharks J. in a recent survey of microfinance borrowers in Ghana published by the Center for Financial Inclusion, found out that more than one-third ($^1/_3$) of borrowers surveyed reported struggling to repay their loans (Shicks, 2011). Adams (2010) notes that credit alone cannot serve MFIs' clients and take them out of poverty. Afrane (2002) also argues that although microfinance has the potential to improve the conditions of clients, it also can create disturbing impacts and hence the need for counteracting measures to curtail the negative impacts in the design of credit programmes. The contrasting opinions thus raise questions as to the impact MFIs are having on the socio-economic lives of their clients and hence the need to probe further on this subject.

Drawing on previous experiences on how microfinance operates in countries like Ghana, Malawi, Zambia and Nicaragua, Datar et.al (2008) have advocated the need for MFIs to adopt a client centred approach so as to address the unique needs of their clients. In other words, MFIs should nurture the profitability of borrowers' businesses and, in turn, clients' economic and social well-being. To do this effectively, Datar et.al (2008) insist MFIs must provide far greater services than what traditional financial institutions do. Additionally, they must offer not only financial products and services, but also financial education, management training, value chain support, and social services. MFIs have therefore been urged to track how their clients use their loans and how they allocate their profits. Datar et.al (2008) further urged MFIs to monitor poverty alleviation using measures of not just income, but also health, nutrition, housing, and education..

2.5 Microfinance in Ghana

It has always been a common practice for people to save and/or take small loans from individuals and groups within the context of self-help in order to engage in small retail businesses or farming ventures. Egyir, (2010) notes that prior to formal banking systems in Ghana, many of the poor, mainly women, and those in rural communities relied heavily on informal banking services and the semi-formal savings and loans schemes. There is a long history of informal alternatives of credit and savings, especially among women petty traders and women with small off-farm business needs. They included Susu groups, Susu collectors and moneylenders.

Over the years, the microfinance sector has thrived and evolved into its current state due to various financial sector policies and programmes undertaken by different governments since independence. In terms of the regulatory framework, rural and community banks are regulated under the Banking Act 2004 (Act 673) as amended by Banking Act 2007 (Act 738), while the Savings and Loans Companies are currently regulated under the Non-Bank Financial Institutions (NBFI) Act 2008 (Act 774). Until July 2011, there had been no regulatory framework for the rest of the players such as the financial non-governmental organisations and moneylenders.

Data on employment status indicates that a majority (64.8%) of the economically active population are self –employed. Added to this fact is that the private sector is the largest employer in Ghana, accounting for 93% of the employment of economically active persons (private informal, 86.1% and private formal, 7%) (GSS, 2012, p.11). The data clearly shows that the majority of working Ghanaians are employed in the informal sector. These individuals find themselves as market women, butchers, small scale retailers, farmers, cold store operators, carpenters, tailors, dressmakers, food vendors. A majority of these entrepreneurs are not catered for by the formal banking sector, and cannot afford or simply do not have the collaterals required of them in order to access loan facilities at the formal banks. Therefore, in spite of its importance, the informal sector is characterised by lack of access to credit, which constrains the development and growth of that sector of the economy.

The banks have generally neglected the small and micro sectors of the economy, because, traditionally, banking operations work with a defined management structure with good bookkeeping practices, a deep sense of appreciation for accountability and bureaucracy. All of these are lacking in the informal economy. Again, the Ghanaian residential address system and national identification system are nearly non-existent and many people do not have proper titles to their assets to afford them the opportunity to use them as collateral for loans (Boabeng, 2009).

Microfinance activities in Ghana can be grouped into three areas such as financial services (loans, deposits, leasing etc); non–financial services (literacy classes, nutrition, health, etc.); and business development or advisory services (IYMC, 2005). Microfinance services in the financial sector have spread all over the nation (Ghana) to serve the needs of the poor and the community as a whole (Asiama and Osei, 2007).

2.6 Research Difficulties

BoG (2007) has indicated that there is a lack of information on MFIs, their operations and clients in Ghana. Again, there are no specified or standardised benchmarks for measuring the impact of MFIs; hence disagreements sometimes arise on the outcomes of the various assessments carried out on the socio-economic impact of MFIs on their clients.

As noted by CGAP (2011),most of the assessments do not permit MFIs to attribute welfare changes to their programs because the tools used for the evaluation do not address the counterfactual; what would have happened if a particular intervention had not been introduced? Nonetheless, social performance monitoring and assessment are helpful in understanding how and where services are delivered. The data collected can be used to inform impact evaluations and to understand how process factors, such as staff training or disbursement mechanisms, influence outcomes.

The apparent disagreements on the impact microfinance has on the socio-economic impact of their clients can be traced to the fact that microfinance institutions vary so much in their missions, strategies and tactics that assessing their overall impact is extremely difficult. The greatest barrier to finding out if indeed microfinance is beneficial to clients is that very few microfinance institutions have defined what it would mean for microfinance to be regarded as having been successful (and more so to the extent of defining how, for who, where and when microfinance can work) (Datar et.al.; 2008).

3. Methodology

The population of the study comprises of all women entrepreneurs who have accessed MFIs' loans in Ghana. Koforidua Municipality of the Eastern Region of Ghana (one of the ten regions in Ghana) was chosen as the study area. Of particular relevance to the study is the fact that the study area, Koforidua municipality, contains all the ethnic tribes in Ghana. Also, women form the majority (58%) of its population (Ghana Statistical Service 2012). In addition, greater numbers of these women are in small and medium businesses. A multi-method research approach, which involved the combination of both qualitative and quantitative methods, was used to collect data for the study.

The database of women entrepreneurs in the municipality who have regularly accessed micro finance loan was compiled from enquiries made at the MFIs within Koforidua. These regular female clients were estimated at approximately one thousand seven hundred (1700). There are about twenty (20) MFIs in Koforidua. Each of these MFIs has an average of 850female clients.

A simple random sampling method was used to select a sample size of Eight hundred and forty (840) women beneficiaries of microfinance loans. To collect quantitative data, survey questionnaires were administered to the 840 women beneficiaries. This enabled all the women entrepreneurs in SMEs in the municipality to have a chance of being selected to participate in the research irrespective of their ethnic, age, marital status, or educational background. A large variety of business operations (trading, service, agro-processing, education, construction, manufacturing and industries) were included in the survey.

Effort was made to produce a questionnaire which was easily understood by the respondents. Qualitative data was collected through interviews. To gain deeper insight into the objectives of study, 45 of the women were purposefully selected -from the survey respondents-to participate in a face-to- face interview. The interview was based on the questions in the questionnaire. The interviews were conducted in the dialect of the respondents.

A reconnaissance trip was undertaken to gain fore-knowledge of the research area and when to meet the customers of the MFIs. Prior to the administration of the questionnaire, respondents had the purpose of the study explained to them-which is to understand how the microfinance was impacting on their lives and how best to improve the programme. Again the questionnaire was pre-tested to ascertain the validity of the results that would be obtained from them.

Data processing is "the collection and manipulation of items of data to produce meaningful information" (French, 1996). It involves validation- that is "ensuring that supplied data is "clean, correct and useful", sorting – arranging items in some sequence and/or in different sets, summarisation- reducing detail data to its main points and aggregation combining multiple pieces of data.

The data collected for this study passed through the above mentioned processes. Data that was obtained was edited. That is, the raw data was examined to detect errors and omissions so as to correct them and ensure completeness, consistency and homogeneity. Classification and tabulation of data were accordingly carried out to render the information obtained more useful.

The qualitative data was analysed manually with content analysis. This was followed by a quantitative analysis of the survey data by the use of statistical techniques such as descriptive analysis, correlation, and regression analysis. The qualitative results reinforced the quantitative results.

4. Results and Discussion

This section presents an analysis of the findings of this study, by looking at selected responses to the research objectives mentioned earlier. Details of the results are discussed as follows:

4.1 Background of MFI Clients

Majority of the respondents were observed to be in the active working group(21- 40 years). Women aged between 31-40 years were the most dominant (47%), suggesting that they are the most economically active as they had lots of responsibilities in terms of catering/helping to cater for their dependents (Table 1a).

Table 1a Demographic Characteristics of Respondents

Variable items	Frequency	Percentage (%)
Age (in years)		
< 20	0	0
21-30	202	28
31-40	338	47
41-50	137	19
> 50	43	6
Total	**720**	**100**
Marital Status		
Married	374	52
Single	144	20
Divorced	130	18
Widowed	72	10
Total	**720**	**100**
Need for spousal permission		
Yes	338	47
No	382	53
Total	**720**	**100**
Household heads		
Yes	331	46
No	389	54
Total	**720**	**100**

Most of the respondents were married. Married women constituted 52% of the respondents. Most of them admitted that they offered a lot of support to their husbands towards housekeeping and bills such as school fees. 46% of the respondents said they were heads of their households while 53% stated that they did not require the consent of their spouses when they want to access loans. Thus their husbands or male acquaintances did not have control over their quest for loans. Those who had to seek spousal approval said they do so out of respect for their spouses.

Table 1b Demographic Characteristics of Respondents

Variable items	Frequency	Percentage (%)
Occupation		
Farmers	27	2.4
Hair Dressers	90	8
Food Vendors	161	14.4
Seamstresses	72	6.4
Traders	627	56
Teachers	63	5.6
Cold-store Operator	20	2.4
Taxi Driver	20	2.4
Chemical Shop Owner	1	0.8
Drinking Bar Owner	1	0.8
Service Provider	1	0.8
Total	**1120**	**100**
Number of Dependents		
0	79	11
1-3	439	61
4-6	180	25
> 6	22	3
Total	**720**	**100**
Educational Background		
Illiterate	43	6
Primary	130	18
JHS	259	36
SHS	187	26
Post Secondary	29	4
MSLC	43	6
Vocational	7	1
Tertiary	22	3
Total	**720**	**100**

Only 11% of the respondents had no dependents. Each of the dependents had at least a child with 3% of them having more than six dependents. A majority of the respondents were literate and can therefore be considered capable of contributing fully to the topic presented (Table 1b). 94% of them had at least completed primary school with the majority of them (62%) having completed Junior High School (JHS) or Senior High School (SHS). This shows that the respondents have a high literacy rate but also indicates a high drop-out level at the JHS/ SHS levels.

From the survey it was also observed that 20% of the respondents had more than one occupation. There were teachers who were also traders as well as traders who doubled up as a taxi-owner or seamstresses. The need for bigger capitals in order to sustain such ventures is what drove some of these respondents to go in for loans.

4.2 Taking a Loan-Requirements

It was noted that savings (57.5%) was the most common requirement demanded of clients in their bid to access loans (Table 2). The use of guarantors (15%) and group/social collateral (15%) were also requirements that were demanded of clients. The institution of these requirements (savings, guarantors, group/social collateral) as against physical collateral has made it possible for a lot of individuals to access loans which hitherto were difficult to be accessed.

Table 2 shows how long it took clients to get the loans they requested for. For the majority the waiting period was between 3-12 weeks. For individuals who had to save with the MFIs in order to get their loans, the waiting period was3weeks -6months (depending on how much one has saved or the amount one wants to borrow). Individuals who waited for more than 6months for their loans indicated that they did so voluntarily, as they took the loans when they needed them and not when they had qualified for them.

There is the need to emphasise that MFIs ought to avoid delays in the release of funds to borrowers. Such delays can lead to the misapplication of funds or the loan being “useless” to the borrower. Armah (2001) puts it explicitly through her question:"of what use is a loan to a woman who cultivates groundnuts after the farming season is over?"

It was evident that the duration of a respondent's membership in an MFI, savings pattern as well as steady repayment of the loan taken made the individual eligible for further loans. Table 2 shows that majority of the respondents had at least been members of an MFI for 1-4 years. Some of the respondents revealed that they were members of different MFIs not necessarily to take a loan now; they saved with the MFIs so as to qualify them to take a loan when there is an urgent need for it. 43% of the respondents had membership in more than one MFI (Table 2). 70 respondents admitted taking loans from all the MFIs they had joined. The majority of the respondents (57%) currently have membership in only one of the numerous MFIs.

> *One has to be smart these days. Due to the nature of my business (wholesale of food products) I need regular injection of capital without which I won't be able to take advantage of situations where I can buy relatively cheap from the hinterland and hence have higher profit margins. That's why I have spread my tentacles across four MFIs and save regularly. I am thus assured of cash when needed. MFIs have helped me sustain my business as well as helped me pay and provide for my wards' education. Food stuff trader, Okorase, Suhum.*

Table 2 Loan Requirements

Variable items	Frequency	Percentage (%)
Loan Requirements		
Group/Social Collateral	108	15
Physical Collateral	14	2
Savings	414	57.5
Guarantors	108	15
Group Savings	14	2
Deposit	62	8.5
Total	**720**	**100**
Time it took to access loan (months)		
<1	72	10
1-3	490	68
4-6	122	17
7-9	22	3
10-12	7	1
>12	7	1
Total	**720**	**100**
Years of Membership		
< 1	36	5
1-3	497	69
4-6	130	18
7-9	36	5
10-13	21	3
Total	**720**	**100**
Number of MFIs Ever Joined		
1	408	57
2	245	34
3	52	7
4	7	1
5	7	1
Total	**720**	**100**
Number of Loans Ever Received		
0	43	6
1-3	454	63
4-6	130	18
7-9	58	8
10-16	35	5
Total	**720**	**100**

The majority of the respondents (68%) have received at least two or three different loans (Table 2). They were thus very conversant with the advantages and constraints that come with taking loans. This also points to their ability to repay their loans and thus qualify for subsequent loans. It also raises the question as to the number of times these women have to take loans before their businesses become stable and profitable without the need for further cash injections.

Another question is whether the loans the women take really meet their needs; but this needs to be balanced alongside the women's ability to repay loans of higher amounts. Where the amounts granted are lower than that expected by borrowers, the working capital of the borrower is not only affected, but the intended purposes for which the loan was acquired cannot be fully executed.

This situation can lead to difficulty in the repayment of loans. Andrews (2006) recommends that loan terms and conditions are adjusted to accommodate cyclical cash flow and bulky investments. Relatedly, Dataret. al. (2008) demand that MFIs track the cash flow cycles of their clients more closely, that is how clients use their loans and allocate their profit, all with the aim of knowing the clients' need and nurturing the profitability of their clients' businesses.

4.3Reasons for Taking Loans and Repayment

Table 3 presents the reasons respondents gave for taking loans. Majority of the respondents (63.5%) stated that they took loans to expand their businesses. Others (14.4%)took loans to boost their capital so their businesses can be better grounded. 14.1% of the respondents also stated that they took loans to start their own businesses. It is worthy to note that MFIs hardly support such initiatives as the loans they disburse are often too little to start and ground viable businesses.

When questioned about how they used their loans, a large number (70.1%) responded that they used the money to expand their businesses although they also admitted to using the money or some of the money to do other things such as rent a house, settle debts or pay their wards' school fees. This may explain why some of the women had difficulties repaying their loans as they did not fully use the loans for the purposes for which they took the loans.

In general, almost 90% of the respondents either fully used or partly used their loans for business purposes. This is consistent with studies conducted by Stuart (2000) and Shicks (2011).which focused on the use of loans by borrowers. Stuart (2000),for instance believes that part of the loans given out are used to meet lifecycle needs such as education and home-building, or for sorting out personal emergencies and investment opportunities. Shicks (2011) split the use of the loans into only business; business with secondary loan uses and mainly household. Consumption patterns such as business with secondary uses and mainly household uses are frowned upon by MFIs and often fraught with repayment difficulties.

Table 3 Reasons for Taking Loans and Repayment

Variable items	Frequency	Percentage (%)
Reasons for Taking Loans		
To increase capital	105	14.4
To expand existing business	458	63.5
So can have access to future loans	7	1
Hire a room	7	1
Improve standard of living	7	1
Start a business	101	14.1
Pay wards fees	14	2.0
Towards building a house	7	1
For daily Susu savings	14	2
Total	**720**	**100**
Relative Ease of Loan Repayment		
Very difficult	23	3.2
Difficult	107	14.9
Average	122	17
Easy	307	42.6
Very easy	161	22.3
Total	**720**	**100**
Reasons for Repaying Loans		
To save other group members from being harassed	32	4.5
To be able to access another loan	428	59.4
To save self from harassment/ embarrassment	97	13.5
To avoid court action	81	11.3
To be faithful to the bank	49	6.8
Money is not mine so I have to repay	11	1.5
Because I cannot run away/escape	11	1.5
To avoid arrest	11	1.5
Total	**720**	**100**
How Respondents Used Their Loans		
To increase my capital	22	2.7
To buy sewing machine	22	2.7
Expand businesses	555	70.1
Start a business	115	14.1
Pay wards' school fees	36	4.6
To settle debts	8	1
House-keeping money	8	1
Build a house	8	1
To buy a car	14	1.8
Rent a house	8	1
Total	**796***	**100**

*Some of the respondents had multiple uses for the loans they took.

Table 3 also shows the relative ease with which respondents were able to repay their loans. 64.9% of the respondents stated that they easily paid off their loans and that was mainly because their businesses improved, had good patronage and the repayment methods greatly favoured them. Those who did not have it that easy (average) indicated that they just managed to repay their loans. Some had used the money to start their businesses and had barely enough to run their businesses before repayment started. 18% of the respondents simply had difficulty in repaying their loans. Others also had problems because they took loans from multiple sources simultaneously. None defaulted in spite of their difficulties and this confirms Shicks (2011)'s assertion that Ghanaians have a very strong sense of obligation and will put in every possible effort to repay their loans and keep their repayment record clean.

I have so far been able to repay all loans I have taken, sometimes easily and sometimes with some difficulty, depending on how well my business performs. I can say I have been lucky as I have witnessed some of my fellow traders leave town because they cannot repay their loans and cannot face their field officers and the threat of being arrested........Yes I have had friends who spent a few nights in police cells until they were bailed out by their relatives or friends who had mercy on them. Cosmetics trader, Suhum Market.

When questioned as to their reasons for repaying their loans (Table.3), 59.4% of responses given indicated that the respondents paid because that offered them the opportunities to take further loans. They thus paid because doing so portrayed them as faithful clients who could be trusted to repay any other loan offered them and also able to repay loans of higher amounts. Other responses given (13.5%), inferred that respondents paid simply to avoid embarrassment from the field officers. 4.5% of responses implied that respondents paid up their loans because they did not want their group members to be harassed; and thus lose their social collateral. When a group member regularly puts her group members under such stress, the member could end up being kicked out of the group at the end of a cycle even if she has fully paid up.

4.4 Benefit and Impact of Loans Accessed

When questioned as to whether the loans they took had had any direct impact on their businesses, 88.3% of the respondents who took loans replied in the affirmative. Table 4 shows the various reasons they gave for their responses. 69% said their businesses had seen increased income levels, 6.4% said they had been able to buy more goods to stock their shops while 3.0% had experienced an increased number of customers probably due to improvements they had made on their businesses premises.

Table 4 Benefits and Impact of Loans Accessed

Variable items	Frequency	Percentage (%)
Direct impact of the loan on your incomes	**Number of Respondents**	
Yes	636	88.3
No	84	11.7
Total	**720**	**100**
Impact of Loan on Businesses		
Increased level of income/profit	496	69
Increased number of customers	22	3.0
I have an income	22	3.0
Increased capital	58	8.0
Can now save some money	7	1.0
Built my container	8	1.1
Have been able to buy more goods	46	6.4
Same as before	15	2.1
Sales is down but still have to repay loan	23	3.2
Loan nearly collapsed my business	8	1.1
Business so bad I had to use other sources to repay loan	15	2.1
Total	**720**	**100**
Allocation of Profit		
House-keeping money	349	22.0
Savings	364	23.0
School fees	158	10.0
Rent	79	5.0
Buy more goods to fill shop/invest in business	138	8.7
Repaying loan	190	12.0
Building a house	29	1.8
Purchasing personal belongings	126	8.0
Healthcare	122	7.7
Purchased land	29	1.8
Total	**1584**	**100**
Types of Savings		
Ordinary	198	28.0
Fixed	64	9.0
Susu	443	63.0
Others		-
Total	**705**	**100**

They acknowledged that the loans helped them to undertake projects they could not have done previously. Those who were of the opinion that the loan had not helped their businesses (8.5%) pointed to poor sales. In an instance, one respondent mentioned that she had to turn to other sources for funds to repay the loan.

> *"I honestly thought taking a loan will help me expand my business. However the opposite has rather occurred. It has ruined me. My business has really suffered. I bought a lot of watermelons but suffered great loss as other traders especially on the main market days flooded the market with them. I eventually turned to my elder brother to help me repay the loan". Water melon trader, Suhum Market*

It is again noteworthy that all respondents who had taken loans repaid their loans fully whether the loans impacted their businesses positively or negatively. Table 4 shows how respondents spent their profit..Majority of the responses obtained indicates that respondents spent their profits on house-keeping (22.0%) and savings (23.0%). 12% of the responses received indicated that the respondents used part of their profits to pay off their loans from their profit while 8.7% used part of their profit to re-fill/restock their businesses. This raises questions as to how the respondents in particular or clients of MFIs calculate their profit. It is noteworthy to point out how some of the respondents declare profit before setting aside money to repay their loans, restock their shops or even pay their compulsory savings. This may be a plausible reason why some of them have difficulties in repaying their loans as they end up confusing profit with income and hence fail to come up with their real profit which might actually be far smaller than what they perceive.

Table 4 shows the types of savings respondents undertook. It was noted that 705 respondents regularly saved. Some saved ordinarily as per savings at a bank whiles others had fixed savings they had to fulfil as part of loan arrangement they had with banks who offered them micro-finance services. Others also had daily or weekly *susu* savings. The *susu* savings were either voluntarily or in the form of a minimum amount that had to be paid weekly or daily (as stipulated by the regulations of the susu services or the microfinance institution from which the client had borrowed money). The average amount saved by respondents was Gh¢70/month.

When asked about their profits before and after they had taken loans, the answers given showed that the respondents' businesses had produced higher profits after they had received loans (Fig. 1).Again, it was observed that respondents moved into relatively higher profit margins after they had accessed loans. A majority of the respondents (620) before they took loans were within the Gh¢ 0-80 profit margin bracket. The majority (612 respondents) after they had taken loans spread out within the Gh¢ 0-200 profit margin bracket, with 474 of them between the Gh¢ 41-200 profit margin. R^2 before respondents took loans is 0.517 and after taking loans is 0.617. With both regressions levels higher than 0.5, the relationship between the money they had in hand and their levels of profit can be said to be significant.

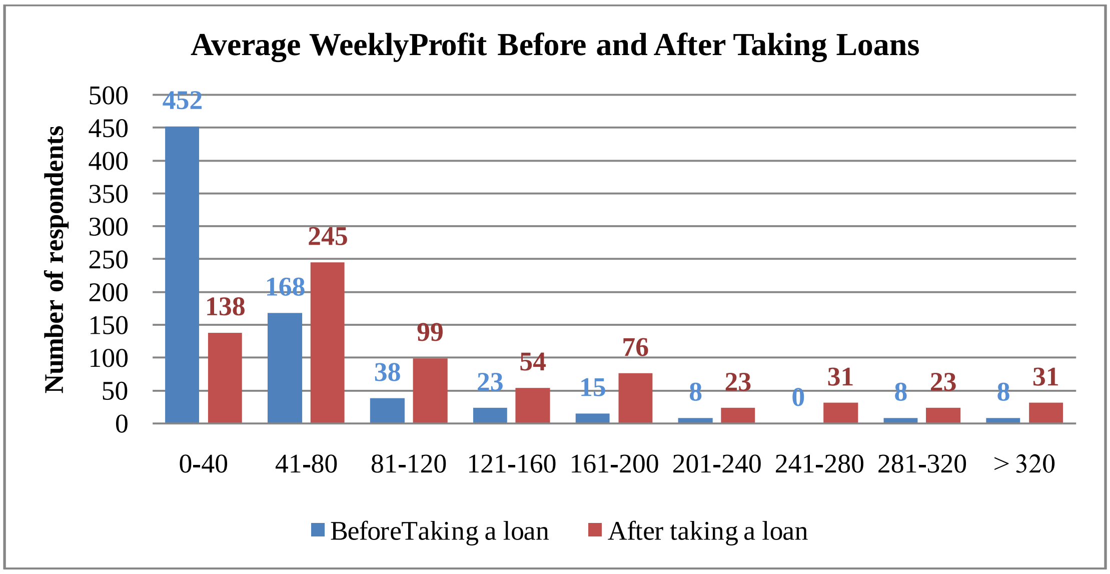

Figure 1. Average weekly profit of respondents before and after taking loans.

It should be noted that these are weekly profits and some indeed are high. However one needs to take into consideration the submission made earlier that what is often declared as profit is sometimes the gross income. Some respondents out of this "profit" make their deductions of loan repayments, market taxes, cost of goods sold and other expenditure such as transport, security and electricity. They may thus end up with far less "net profit". It must be noted that most of these MFI women clients are not business women by choice. Rather most of them began their businesses as a means of earning a living and hence do not possess the needed business skills that can help them grow their businesses. MFIs will have to add education and training to help their clients grow stable and profitable businesses.

4.5 Social Well-being and health status of Respondents

Respondents were asked questions to determine if the loans they took impacted in any way on their social wellbeing. Averagely, 71.9% of the respondents answered positively to the issues raised and said that their social wellbeing as per these issues have been positively impacted by the loans they took. On the average, 28.1% of the respondents stated that the loans they accessed had in no way made their social lives better or worse off as per the issues raised. None reported being unable to undertake any of the four issues put to them; probably because no matter how bad their business became, respondents saw it as their duty to cater for their families on these four issues.

Table 5 Social Wellbeing of Respondents
Social Wellbeing Factors

Issue	**Responses**					
	Can	%	Cannot	%	Situation unchanged	%
Send children to school	490	68.0	0	0	230	32.0
Ability to provide educational materials for your children	482	67.0	0	0	238	33.0
Access to healthcare facilities	554	77.0	0		166	23.0
Better able to provide clothing family	544	75.5	0		176	24.5
Total	**2070**	**287.2**	**0**	**0**	**810**	**112.8**
Mean	**517.5**	**71.9**	**0**	**0**	**202.5**	**28.1**

Variable items	**Frequency**	**Percentage (%)**
Improved housing situation?		
Yes	544	75.6
No	176	24,4
Total	**720**	**100**
Improved housing situation?-Explanations		
Hire a bigger/better room/house	245	34
Built/ building own houses	184	25.5
Have renovated my house	23	3.2
Furnished my room	54	7.5
Expanded my house	8	1.1
Acquired a plot of land	15	2.1
Already had my own house	23	3.2
Still same house/room	145	20.2
Moved into a smaller room/house	23	3.2
Total	**720**	**100**
Community participation		
Yes	598	83
No	100	14
Negative effect	22	3
Total	**720**	**100**

83% of the respondents agreed that the loans they took had improved their finances and hence helped them to better participate in communal activities, while 14% stated that the loan had in no way impacted on their ability to participate in communal activities.3% of the respondents said they were now worse off. Those who answered positively said they could now attend social functions, make financial contributions when called upon and participate in communal activities that required paying of money.

> *"I am now able to hold my head up high in my community. I am better able to take care of my children, help my husband pay their school fees. I no longer have to go round seeking for help and go round "exposing issues in my life to the outside world". I now feel more accomplished and in more control of my life". Second-hand cloths trader, Suhum Market*

Figure 2 shows that the health status of respondents and their families generally improved after they took loans. 344 respondents had very good health status compared to 207 who did so before they took loans. Families with a bad health status decreased from 92 respondents being in this health status (before taking loans) to 23 respondents after they had taken loans.

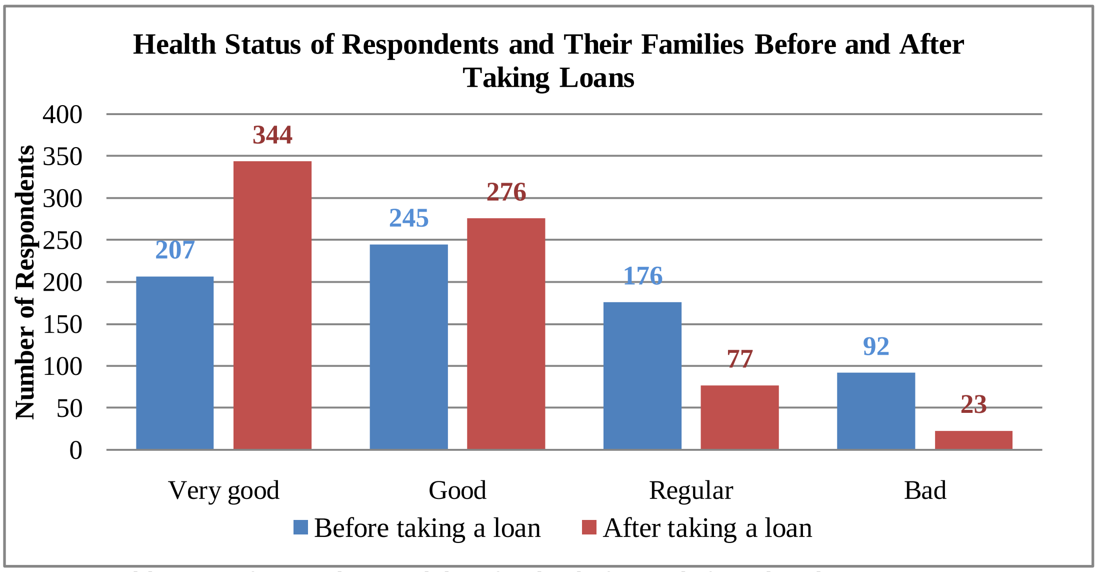

Figure 2.Health status of respondents and their families before and after taking loans.
Source: Author's Field Survey 2013

Those with regular health status also reduced from 24.4% (before taking loans) to 10.7% after taking loans. This clearly indicates that the loans had a positive influence on the health status of respondents and their families. Families of individuals who took MFI loans appear to have benefitted from the loans too probably due to improved nutrition, housing conditions, clothing and the ability to afford facilities that help prevent diseases.

5. Conclusion

This study has found out that MFIs' women clients are generally aged 20 years or above, of varied marital status, have one or more dependents, and are all employed (mostly self-employed) and literate. Almost a half of them are household heads and again just above 50% of them do not require spousal permission to go in for loans. Most respondents used their loans for business and other secondary activities. Majority of the beneficiaries were able to repay their loans easily. The minority (about 18%) conversely, had difficulty but still did not default in the repayment of their dues- so they can go in for more loans. Respondents also reported higher profit levels after they had invested their loans into their businesses.

An average of 71.9% of the respondents reported that they were now able or better financially resourced to send their children to school, provide educational materials for their children, access healthcare facilities or provide clothing to their family. Again a majority indicated they now had better housing conditions and can now participate fully in communal activities due to their improved financial stand.

6. Recommendations

It was observed that some of the respondents were unable to truly reckon what their profit margins are and hence experienced stagnant growth in their businesses. It is therefore recommended that MFIs provide education and training to their clients, as well as support their micro-enterprises. Clients must be given training in financial literacy and money management so they can meet both their business and personal needs.

It is also recommended that loan terms and conditions are adjusted to accommodate cyclical cash flow and bulky investments. Loan officers should work together with the clients to identify their specific needs and ability to repay their loans. This will ensure that the borrowers increasingly benefit from the loans and also reduce their default rates. MFIs will also need to track the cash flow cycles of their clients more closely, that is how clients use their loans and allocate their profit, all with the aim of knowing the clients' need and nurturing the profitability of their client's business. These recommendations will lead to more cost-effective and cost-efficient –client centered microfinance programmes and products, which can help produce sustainable and stable micro-enterprises.

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